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FIFTY-SEVENTH ANNUAL REPORT • NINETEEN SIXTY NINE

DIRECTORS

R.H. DAVIES

President, Sangamo Electric Company

HON. G. B. FOSTER, M.B.E., Q.C.

*Chairman of the Board
Canada and Dominion Sugar Co. Ltd.*

C. H. LANPHIER

*Chairman of the Board
Sangamo Electric Company*

J. A. McDOUGALD

*Chairman of the Board and President,
Crown Trust Company*

G. E. ROBERTSON

Former Vice-Chairman of the Board

J. M TORY, Q.C.

*Partner, Tory, Tory, DesLauriers and
Binnington, Solicitors*

C. E. VANCIL

*Vice-President and Secretary,
Sangamo Electric Company*

A. E. VAN CLIEAF

*Vice President and General Manager
Sangamo Company Limited*

OFFICERS

R. H. DAVIES, President

**A. E. VAN CLIEAF, Vice-President and
General Manager**

J. LOGAN, Secretary-Treasurer

P. GREIG, Vice-President

**J. H. BERRY, Controller and Assistant
Secretary**

FINANCIAL HIGHLIGHTS

	1969	1968
Net Sales	\$14,093,851	\$12,084,540
Profit (Loss) Before Extraordinary Items	349,576	(456,777)
Profit (Loss) Per Share Before Extraordinary Items	1.93	(2.52)
Net Profit (Loss)	(210,424)	(456,777)
Net Profit (Loss) Per Share	(1.16)	(2.52)
Expenditure for land, bldgs., machinery and equipment	208,470	339,356
Depreciation	384,296	453,815
Shareholders' equity	3,679,672	3,890,096
Shares outstanding at end of period	181,212	181,212
Book value per share	20.31	21.47
Working Capital	2,163,594	2,946,671
Current ratio	1.6:1	2.2:1

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LETTER TO THE SHAREHOLDERS

Net earnings in 1969, before extraordinary items, amounted to \$349,576, representing \$1.93 per share. After provision for extraordinary items, the year resulted in a net loss of \$210,424 or \$1.16 per share. In 1968, the Company sustained a loss of \$456,777, equivalent to \$2.52 per share.

Sales of \$14,094,000 in 1969 were 16% greater than the \$12,085,000 reported for 1968. The increased sales, improvement in operating efficiency and the completion of the major meter redesign programme were the major factors in the improved results for the year. The Power Equipment Division made the major contribution to the improvement with the benefit now being felt from the redesign programme of prior years, increased acceptability of its products and the introduction of new items to its product line.

The Motor Division showed some improvement over 1968 but not sufficient to indicate that it would be an acceptable contributor to future profits in line with the investment required. At year end, therefore, your Board of Directors decided to discontinue the motor operation early in 1970. A contract was later signed with ELTRA of Canada Limited for the sale of certain assets of this division, as of February 27, 1970. Provision for the estimated loss on the sale of the assets has been made in the 1969 financial statement in the amount

of \$610,000. An income tax reduction in the amount of \$50,000, resulting from losses carried forward from the preceding year, was also recorded as an extraordinary item.

The effect of the sale of the Motor Division upon the total operations of the Company will be a noticeable reduction in sales after February 27, 1970; however, the benefits to profitability should become more apparent during the last half of the year.

In October Mr. L. C. Collingwood resigned as President and Director of the Company and Mr. D. A. Cobban resigned as Vice President and Secretary-Treasurer. Mr. R. H. Davies, President of Sangamo Electric Company, was elected President and Mr. A. E. Van Clieaf, Vice-President, was appointed General Manager. In January 1970, Mr. Van Clieaf was also elected to the Board of Directors and Mr. John Logan was elected Secretary-Treasurer of the Company.

The Directors and Officers wish to express their appreciation to all employees for their continued efforts and loyalty throughout the year.

Respectfully submitted,

R. H. Davies,
President

April 2, 1970

AUDITORS' REPORT

To the Shareholders of Sangamo Company, Limited:

We have examined the balance sheet of Sangamo Company, Limited as at December 31, 1969 and the related statements of income and retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as

we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of Sangamo Company, Limited at December 31, 1969 and the results of its operations and the source and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young, Clarkson, Gordon & Co.
Chartered Accountants
Toronto Canada, February 25, 1970

SANGAMO COMPANY, LIMITED *(Incorporated under the laws of Canada)* **BALANCE SHEET**

ASSETS	1969	1968
Current:		
Accounts receivable	\$2,030,857	\$1,665,531
Inventories, at the lower of cost and net realizable value —		
Raw materials, work in process and finished parts	1,664,184	2,372,945
Finished goods	<u>672,959</u>	<u>1,183,880</u>
	2,337,143	3,556,825
 Estimated recovery on sale of Motor Division assets due within one year (note 1)	 950,000	
Tender and performance deposits	197,125	197,125
Prepaid expenses	44,611	38,362
5% special refundable tax receivable within one year		<u>1,017</u>
Total current assets	<u>5,559,736</u>	<u>5,458,860</u>
 Estimated recovery on sale of Motor Division assets due after one year (note 1)	 950,000	
Land and buildings of Motor Division held for disposal (note 1)	410,552	
 Fixed:		
Land — at cost	236,662	312,950
Buildings, machinery and equipment — at cost 4,367,931 Less accumulated depreciation <u>3,474,949</u>	 892,982	 <u>2,034,493</u>
	<u>1,129,644</u>	<u>2,347,443</u>
 Other:		
Deferred income tax charges (note 1)	360,000	
Unamortized debenture discount	<u>65,882</u>	<u>70,982</u>
	<u>\$8,475,814</u>	<u>\$7,877,285</u>

(See accompanying notes to financial statements)

On behalf of the Board

SHEET *December 31, 1969. (with comparative figures at December 31st 1968)*

LIABILITIES AND SHAREHOLDERS' EQUITY	1969	1968
Current:		
Bank indebtedness	\$1,687,611	\$1,433,931
Accounts payable and accrued expenses	1,043,452	822,425
Taxes payable	172,133	121,119
Funded debt due within one year	10,000	38,000
Payable to parent company	132,946	96,714
Provision for costs and operating losses on discontinuance of the Motor Division (note 1)	350,000	
Total current liabilities	3,396,142	2,512,189
 Funded debt due after one year:		
6% Secured Sinking Fund Debentures, Series "A" due December 15, 1982	1,400,000	1,475,000
Total liabilities	4,796,142	3,987,189
 Shareholders' equity:		
Capital —		
Authorized:		
200,000 common shares of no par value		
Issued:		
181,212 common shares	505,135	505,135
Retained earnings (note 3)	3,174,537	3,384,961
	<u>3,679,672</u>	<u>3,890,096</u>
	 <u>\$8,475,814</u>	 <u>\$7,877,285</u>

(See accompanying notes to financial statements)

R. H. DAVIES Director

A. E. VAN CLIEAF Director

SANGAMO COMPANY, LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1969 (with comparative figures for 1968)

	1969	1968
Net Sales	\$14,093,851	\$12,084,540
Less:		
Cost of sales excluding depreciation	11,148,119	10,662,144
Selling, general and administrative expenses	1,745,873	1,702,118
Depreciation (note 2)	384,296	453,815
Interest on funded debt	85,987	95,240
	<u>13,364,275</u>	<u>12,913,317</u>
Profit (loss) before income taxes and extraordinary items	729,576	(828,777)
Income taxes	<u>380,000</u>	<u>(372,000)</u>
Profit (loss) before extraordinary items	349,576	(456,777)
Extraordinary items:		
Estimated loss on discontinuance of motor operations (after income tax reductions of \$690,000) (note 1)	(610,000)	
Income tax reduction resulting from losses carried forward from preceding year	<u>50,000</u>	
Net loss for year	(210,424)	(456,777)
Retained earnings, beginning of year	3,384,961	3,841,738
Retained earnings, end of year	<u>\$3,174,537</u>	<u>\$3,384,961</u>

(See accompanying notes to financial statements)

SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1969 (with comparative figures for 1968)

	1969	1968
Source of funds:		
Operations	\$1,119,318	\$
5% special refundable tax		7,467
	<u>1,119,318</u>	<u>7,467</u>
Application of funds:		
Used for operations		369,862
Additions to fixed assets net of disposals	201,271	321,253
Redemption of long term debt	75,000	75,000
Sale of the motor division	<u>1,626,124</u>	
	<u>1,902,395</u>	<u>766,115</u>
Decrease in working capital	783,077	758,648
Working capital beginning of year	<u>2,946,671</u>	<u>3,705,319</u>
Working capital end of year	<u>\$2,163,594</u>	<u>\$2,946,671</u>

(See accompanying notes to financial statements)

SANGAMO COMPANY, LIMITED

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1969

The company has contracted to sell its motor business and related equipment and inventories as of February 27, 1970. Estimated recovery on the sale is \$1,900,000, of which \$950,000 is receivable by April 15, 1970 and \$950,000 on February 27, 1971. The land and buildings of the motor division at Guelph will be leased to the purchaser for a period not exceeding two years and will be sold as opportunities arise on completion of the lease. These are being carried on the balance sheet as of December 31, 1969 at their depreciated cost of \$410,552 which approximates their estimated realizable value.

The estimated loss on the sale of these assets and a provision for the costs and operating losses of the motor division during January and February 1970 have been included in the financial statements as an extraordinary item in the amount of \$610,000, after income tax reductions of \$690,000. \$330,000 of these taxes have been used to reduce the current year's tax liability and the balance has been shown as "deferred income tax charges" which will be used to reduce taxes otherwise payable in future years.

The company has given notice to the union at Guelph that it will terminate

its contract on February 27, 1970. As a result, the company has no legal obligation for payments into the pension fund beyond that date.

2. Depreciation is calculated using the straight-line method applied to the estimated useful lives of assets, substantially as follows:

Asset type	Estimated service life	1969	1968
Buildings	20 and 40 years	\$ 44,866	\$ 44,923
Machinery and equipment:			
General	10 and 15 years	149,048	155,961
Tools and dies	3 years	190,382	252,931
Total provided		\$384,296	\$453,815

3. Certain covenants contained in the trust deed relating to the 6% Secured Sinking Fund Debentures prohibit the payment of dividends if net current assets (as defined) or shareholders' equity (as defined) are less than or would be reduced to less than \$2,500,000 and \$3,500,000 respectively.

4. Remuneration paid to the company's directors, including directors holding salaried employment, totalled \$45,200 in 1969 and \$61,000 in 1968.

SHARES LISTED

The shares of the Company are listed on the Canadian Stock Exchange, Montreal, Quebec. Transfers of shares at the Head Office of the Company, Toronto, and Montreal Branch Office.

ANNUAL MEETING

Annual Meeting of Shareholders is to be held on April 30th, 1970, at the Head Office of the Company 215 Laird Drive, Toronto 352, Ontario, Canada.

SANGAMO PRINCIPLE PRODUCTS

ELECTRICAL METERING EQUIPMENT

Singlephase Watthour Meters
Polyphase Watthour Meters
Singlephase Demand Energy Meters
Polyphase Demand Energy Meters
Polyphase Demand Meters
Low Voltage Current Transformers
Low Voltage Potential Transformers
Metering Units
Test Boards

OTHER MANUFACTURED PRODUCTS

Meteorological Radiosondes
Lamb Electric Vacuum Motor Units

PRINCIPAL RESALE PRODUCTS

SANGAMO Amperehour Meters
Electronic Communication Equipment
Tachographs and Time Switches
HD Electric Test Instruments
TESCO Meter Accessories
LAMB ELECTRIC Universal Motors

SANGAMO

HEAD OFFICE: 215 LAIRD DRIVE, TORONTO 352, CANADA

Plants: Toronto, Trois Rivières.

Sales Offices: Vancouver, Calgary, Winnipeg, Thunder Bay,
Montreal, Halifax, Saint John, N.B., St. John's Nfld.